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SUBJECT: EMBASSY MINSK WEEKLY POL/ECON REPORT - FEBRUARY 22, 2007

¶1. The following are brief items of interest compiled by Embassy Minsk.

TABLE OF CONTENTS

INTERNATIONAL RELATIONS

- French Ambassador Seeks Belarus-EU dialogue (para. 2)
- Foreign Minister Martynov Visits India (para. 3)

CIVIL SOCIETY

- Internet Cafes Mandated to Provide GOB Info on Users (para. 4)
- Opposition Activist Denied Early Release (para. 5)
- Fertilizer Factory Employees to Stage Protest (para. 6)

DOMESTIC ECONOMY

- Producer Price Index Reaches Record High in January (para. 7)
- Finished Inventories Up 18.3 Percent in January (para. 8)

INTERNATIONAL TRADE AND INVESTMENT

- Imports of Iranian, Venezuelan Oil via Baltic Ports (para. 9)
- Free Economic Zones Outperform Rest of Economy (para. 10)

QUOTE OF THE WEEK (para. 11)

International Relations

¶2. French Ambassador Seeks Belarus-EU dialogue

On February 21, during an interview with Belarusian independent media, newly-appointed French Ambassador to Belarus Mireille Musso expressed hope that France will help forge "real and fair dialogue" between Belarus and the European Union. While suggesting that Belarus could play a special role in the European family and could participate in its activities, she stressed that Minsk must make more progress in economic and democratic reform. She also noted the need to improve the investment environment and adopt regulations aimed at protecting business.

¶3. Foreign Minister Martynov Visits India

On February 22, Belarusian Foreign Minister Sergey Martynov arrived in India for discussions on political and economic cooperation. During the visit, Martynov is expected to meet with Foreign Minister Pranab Mukherjee, Commerce and Industry Minister Kamal Nath, and Indian business people interested in establishing ties with Belarus.

14. Internet Cafes Mandated to Provide GOB Info About Users

On February 10, Prime Minister Sergey Sidorsky signed a decree requiring internet clubs and cafes to submit information about the web sites visited by their customers upon request from the law-enforcement agencies. According to the decree, these establishments must file electronic histories of the web sites and make it available to the law-enforcement agencies within 12 months. Managers will be held liable for granting minors access to inappropriate information and must inform relevant security agencies of any violations or misuse of computer equipment and software.

15. Opposition Activist Denied Early Release

On February 20, a parole board denied prominent opposition youth leader Pavel Severinets early release on the grounds that he had not taken the "correctional path." Severinets refused the conditions of his release, put forth by the board, to plead guilty and make a commitment not to commit the same crime in the future. He stressed that the officials expected his reaction and only followed a bureaucratic procedure to review his case, although by law he had a right to be released some time ago. Sentenced to two years of correctional labor in internal exile ("khimya") in May 2005, Severinets is now working for a timber company located a small village in northern Belarus. He is due for release in May.

16. Fertilizer Factory Employees to Stage Protest

On February 20, members of a branch of the Independent Trade Union at the Soligorsk-based Potassium Fertilizer Factory submitted a

MINSK 00000160 002 OF 002

petition signed by approximately 500 workers to the city authorities for a permit to stage a rally on March 14. The labor union activists demand higher wages for processing plant employees and protest against existing problems with housing and draft amendments to the social security (pension) law regulating retirement benefits.

According to the bill, employees of the retirement age who work in hazardous conditions will receive pensions. Factory union leader Nikolay Novik stated that the negotiations with the factory administration have remained unsuccessful, and the labor union intends to hold an information campaign to engage more people in the protest. The factory management claims that it has not received a single complaint and expects little support for the rally.

17. Producer Price Index Reaches Record High in January

On February 16, independent media reported that Belarus' producer price index (PPI) jumped 12.6 percent in January but is not expected to increase more than 14-16 percent by the end of the year. Higher energy prices accounted for most of the hike, since Belarus' 2006 PPI was only 8.5 percent.

18. Finished Inventories Up 18.3 Percent in January

On February 19, Belarus' Ministry of Statistics and Analysis reported that industrial enterprises' finished inventories rose 18.3 percent, or USD 1.4 billion worth of goods, in the first half of January. As of February 1, this figure accounts for 57.4 percent of the average monthly output, up from 53.2 percent one year ago. Inventories of hosiery exceeded average monthly output by 252.8 percent. Of all the retail items, fertilizers accrued the smallest inventories at 3.8 percent of monthly output.

9. Import of Iranian, Venezuelan Oil via Baltic Ports

On February 21, Belarus Deputy Prime Minister Vladimir Semashko announced that Belarus plans to use ports in the Baltic for importing Iranian and Venezuelan oil. Belarus recently started oil exploration in Iran and Venezuela, but extraction is not expected for at least three to four years. Experts believe that until extraction begins, there is little incentive to import oil via the Baltic since Russian oil remains a cheaper alternative, despite Russia's recently introduced USD 53 export duty.

10. Free Economic Zones Outperform Rest of Economy

On February 16, Belarus' Ministry of Statistics and Analysis reported that the 269 companies registered in Belarus' six free economic zones (FEZ) increased their production by 41.8 percent to USD 1.3 billion in 2006, an increase that far exceeded the overall national rate. The FEZ companies exported USD 804.5 million in furniture, foodstuffs, packing materials, aluminum products, refrigerators and other products, mainly bound for Russia. Their USD 804.7 million worth of imports came primarily from outside the CIS and included production equipment, aluminum, plastic goods, fish and seafood and lumber.

Quote of the Week

11. On February 16, former opposition presidential candidate Aleksandr Milinkevich told independent media:

"Today, Belarus is a number one problem in Europe, and the front pages of many newspapers in Europe cover the situation in our country. It is a tribute to all those people who are reminding the world that human rights in Belarus are violated, free elections are non-existent, and independent press is extinct. I call upon all Belarusians and friends of our country to pray for early release of all Belarusian political prisoners and for the restoration of democracy in Belarus."

Stewart